

WC 05-300

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FCC/MELLON OCT 19 2005

October 19, 2005

VIA COURIER

Marlene H. Dortch, Secretary
Federal Communications Commission
Wireline Competition Bureau – CPD – 214 Appls.
P.O. Box 358145
Pittsburgh, PA 15251-5145

Re: Application of Network Telephone Corporation for a Transfer of Control
of an Authorized International and Domestic Carrier

Dear Ms. Dortch:

On behalf of Network Telephone Corporation (“Network Telephone”), Talk America Inc. (“Talk America”) and Talk America Holdings, Inc. (“Talk Holdings”) (collectively, “Applicants”), enclosed please find an original and six (6) copies of the above-referenced Application.

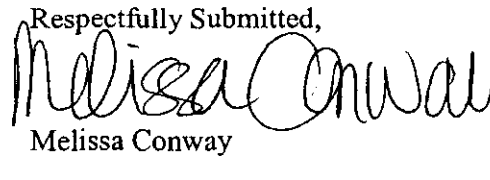
Also enclosed is a completed Fee Remittance Form 159 and a check in the amount of \$895.00 to cover the requisite filing fee required for this Application.

Pursuant to Section 63.04(b) of the Commission’s Rules, Applicants submit this filing as a combined international Section 214 transfer of control application and domestic Section 214 transfer of control application (“Combined Application”). Applicants have filed the Combined Application with the International Bureau through the IBFS filing system.

KELLEY DRYE & WARREN LLP

Marlene H. Dortch, Secretary
October 19, 2005
Page Two

Please date-stamp the stamp-and-return copy upon receipt and return it to the courier. Should you have any questions with respect to this filing, please contact Melissa Conway at (202) 955-9667.

Respectfully Submitted,

Melissa Conway

Enclosures

READ INSTRUCTIONS CAREFULLY
BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE

Approved by OMB
3060-0589

Page 1 of 1

(1) LOCK BOX # 358145			
SECTION A - PAYER INFORMATION			
(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card) Kelley Drye & Warren LLP		(3) TOTAL AMOUNT PAID (U.S. Dollars and cents)	
(4) STREET ADDRESS LINE NO. 1 1200 19th Street, N.W.			
(5) STREET ADDRESS LINE NO. 2 Suite 500			
(6) CITY Washington		(7) STATE DC	(8) ZIP CODE 20036
(9) DAYTIME TELEPHONE NUMBER (include area code) 202-955-9600		(10) COUNTRY CODE (if not in U.S.A.)	
FCC REGISTRATION NUMBER (FRN) REQUIRED			
(11) PAYER (FRN) 0003-7201-58			
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C) COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET			
(13) APPLICANT NAME Network Telephone Corporation			
(14) STREET ADDRESS LINE NO. 1 3300 North Pace Boulevard			
(15) STREET ADDRESS LINE NO. 2			
(16) CITY Pensacola		(17) STATE FL	(18) ZIP CODE 32505
(19) DAYTIME TELEPHONE NUMBER (include area code) 850-432-4855		(20) COUNTRY CODE (if not in U.S.A.)	
FCC REGISTRATION NUMBER (FRN) REQUIRED			
(21) APPLICANT (FRN) 0004-0712-62			
COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET			
(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE CUT	(25A) QUANTITY 1	
(26A) FEE DUE FOR (PTC) \$895.00	(27A) TOTAL FEE \$895.00		
(28A) FCC CODE 1	(29A) FCC CODE 2		
(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY	
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE		
(28B) FCC CODE 1	(29B) FCC CODE 2		
SECTION D - CERTIFICATION			
CERTIFICATION STATEMENT I, <u>Melissa Conway</u> , certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief.			
SIGNATURE <u>Melissa Conway</u>		DATE <u>October 19, 2005</u>	
SECTION E - CREDIT CARD PAYMENT INFORMATION			
MASTERCARD _____ VISA _____ AMEX _____ DISCOVER _____			
ACCOUNT NUMBER _____		EXPIRATION DATE _____	
I hereby authorize the FCC to charge my credit card for the service(s)/authorization herein described.			
SIGNATURE _____		DATE _____	

SEE PUBLIC BURDEN ON REVERSE

FCC FORM 159

FEBRUARY 2003 (REVISED)

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
NETWORK TELEPHONE CORPORATION)	File No. ITC-T/C-2005__
)	
)	
Application for Consent to Transfer)	WC Docket No. 05-_____
of Control of Company Holding)	
International Authorization and Blanket)	
Domestic Authorization Pursuant)	
to Section 214 of the Communications Act)	
of 1934, as Amended)	

APPLICATION

Network Telephone Corporation ("Network Telephone"), Talk America Inc. ("Talk America") and Talk America Holdings, Inc. ("Talk Holdings," and together with Talk America, "Talk" or the "Company"), by their attorneys, hereby request authority pursuant to Section 214 of the Communications Act of 1934, as amended (the "Act"), and Sections 63.03, 63.04, 63.10, 63.12, 63.18 and 63.24 of the Commission's Rules,¹ for the proposed transfer of control of Network Telephone to Talk.² Network Telephone holds authority under Section 214 of the Act to provide domestic and international telecommunications services. After consummation of the proposed transfer of control, NT Corporation ("NT Corp."), the parent of Network Telephone, will be a direct, wholly owned subsidiary of Talk America which will remain a direct, wholly owned subsidiary

¹ See 47 CFR §§ 63.03, 63.04, 63.18 and 63.24. Unless an obvious reference is otherwise called for under the circumstances, all references to the "Commission's Rules" or "Section" refer to the corresponding provision of 47 CFR Part 63.

² Network Telephone, Talk America and Talk Holdings are referred to herein collectively as the "Parties" or "Applicants."

of Talk Holdings. Thus, Talk Holdings will be the new ultimate parent company of Network Telephone.

Transfer of Domestic and International Authority. Pursuant to Section 63.04(b) of the Commission's Rules, Applicants are filing a combined application for the proposed transfer of control of Network Telephone, a holder of domestic and international Section 214 authorizations, to Talk. In connection with the transfer of control, Applicants provide below the information required by Section 63.24(e)(2) of the Commission's Rules. *Exhibit A* hereto provides the additional information requested by Section 63.04(a)(6) through (a)(12) of the Commission's Rules, in connection with the transfer of control of Network Telephone as holder of domestic Section 214 authority.

Request for Streamlined Treatment. The Applicants respectfully request streamlined treatment of this Application pursuant to Sections 63.03 and 63.12 of the Commission's Rules. This Application is eligible for streamlined processing pursuant to Section 63.03(b)(2)(i) of the Commission's Rules because (a) after the proposed transaction, Talk will have market share in the interstate, interexchange market of substantially less than 10 percent, and will provide competitive services exclusively in areas served by a dominant local carrier not a party to the transaction, and (b) the Applicants are not currently dominant with respect to any domestic service, and will not become dominant with respect to any domestic service after consummation of the proposed transaction. This Application also qualifies for streamlined treatment under Section 63.12 because Network Telephone is not affiliated with a foreign carrier. Further, Network Telephone is not affiliated with any dominant U.S. carrier whose services Applicants may resell.

The Applicants respectfully request *expedited* treatment and consideration of this Application so that the Applicants' business plans can be implemented, which business plans include consummation of the proposed transfer of control on or about January 2, 2006

I. APPLICANTS

Pursuant to Section 63.04(a)(6) and (7) of the Commission's Rules, the Applicants provide the following information:

A. Network Telephone Corporation (FRN 0004-0712-62)

Network Telephone Corporation ("Network Telephone"), a privately-held Florida corporation, is a direct wholly owned subsidiary of NT Corporation ("NT Corp."), a privately-held Delaware corporation, based in Pensacola, Florida. Network Telephone is a facilities-based telecommunications company that provides local and long distance telephone service, and data services such as high-speed connectivity, security, web hosting and network services, primarily to small and medium sized business customers in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. Network Telephone serves approximately 78,200 voice equivalent lines and 74,900 data equivalent lines and has annual revenues in excess of \$66 million. The FCC granted Network Telephone authority to provide global or limited global resold international telecommunications services on March 12, 1999, File No. ITC-214-19981228-00911. On November 5, 2004, the FCC granted the transfer of

control of Network Telephone from the shareholders of NT Corp.'s common stock to the shareholders of its preferred stock, File No. ITC-T/C-20040820-00408.³

Network Telephone is authorized to provide local and long distance telecommunications services in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee.

Network Telephone has no affiliates that offer domestic telecommunications services. The following entities hold ten percent or greater ownership interests in NT Corp. (the 100% owner of Network Telephone):

- (i) Spectrum Equity Investors III, L.P. ("Spectrum"), a Delaware limited partnership, owns 12.85% of NT Corp. Spectrum's principal place of business is 333 Middlefield Road, Suite 200, Menlo Park, CA 94025.
- (ii) Private Equity Investors IV, L.P. ("PEI"), a Delaware limited partnership, owns 16.72% of NT Corp. PEI's principal place of business is c/o Desai Capital Management Inc., 410 Park Avenue, Suite 830, New York, NY 10022.
- (iii) Diamond One LLC ("Diamond"), a Florida limited liability corporation, owns 17.05% of NT Corp. Diamond's principal place of business is 221 S. Baylen Street, Pensacola, FL 32501.

The primary business of these companies is equity investment. None of these companies hold a ten percent or greater ownership interest in another telecommunications company.

³ The FCC approved the transfer of control of Network Telephone from NT Corp. to ITC DeltaCom, Inc. ("ITCD") in File No. ITC-T/C-20041001-00386 on November 5, 2004 and in WC Docket No. 04-392 on November 18, 2004. This transfer of control was never consummated. On February 4, 2005, ITCD notified the FCC that it did not intend to consummate this transfer of control. Thus, Network Telephone has remained the direct, wholly owned subsidiary of NT Corp. The current owners of NT Corp. are described herein.

B. Talk America Inc. (FRN 0004-3194-30)

Talk America Inc. ("Talk America"), a Pennsylvania corporation headquartered in New Hope, Pennsylvania, is a direct, wholly owned subsidiary of Talk America Holdings, Inc. ("Talk Holdings"), a publicly held Delaware corporation located at the same address. No entity owns directly or indirectly 10% or more of the equity of Talk Holdings. Talk America is authorized to provide local and long distance telecommunications services virtually nationwide and offers a bundle of these phone services to residential and small business customers. Talk America has built a large base of bundled phone service customers using the wholesale operating platforms of the incumbent local exchange companies and has begun and plans to continue to migrate customers to its own networking platform in Detroit and Grand Rapids, Michigan. Talk America serves approximately 580,000 voice line equivalents in 33 states, 64,000 data line equivalents and 105,000 long distance customers across the United States and has annual revenues in excess of \$470 million. The FCC granted Talk America authority to provide international telecommunications services on March 18, 1996, ITC-214-19960119-00025.

In addition to Talk America, Talk Holdings has three other subsidiaries that offer domestic telecommunications services: (1) Talk America of Virginia, Inc., which provides local and long distance services to customers in Virginia; (2) The Other Phone Company, Inc., which provides local and long distance services to customers in the following states: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee; and (3) LDMI Telecommunications, Inc., which provides local and long distance telephone service, and data services such as high-speed connectivity, security, web hosting and network services, primarily to small and medium

sized business customers in Michigan and Ohio and long distance services throughout the United States. Talk America has no other affiliates that offer domestic telecommunications services.

II. DESCRIPTION OF THE TRANSACTION

On October 18, 2005, the parties signed an Agreement and Plan of Merger (the "Agreement") providing for Talk America's acquisition of all of the issued and outstanding capital stock of NT Corp. (the "Transaction"). Following completion of the Transaction, Network Telephone will remain a direct, wholly owned subsidiary of NT Corp. and NT Corp. will be a direct, wholly owned subsidiary of Talk America, which itself will remain a direct, wholly owned subsidiary of Talk Holdings. As mentioned above, Talk Holdings is a publicly held corporation that does not have, and after the proposed transfer of control will not have, any direct or indirect 10% or greater shareholders. Closing of the Transaction is contingent upon, among other things, receipt of necessary regulatory approvals.

The proposed Transaction will be generally transparent to customers of Network Telephone. In particular, because the Transaction is a stock transaction, the transfer of control of Network Telephone will not result in a change of carrier for any of the Network Telephone customers. Immediately after completion of the Transaction, Network Telephone will continue to provide the same services at the same rates, terms and conditions as at present and any future changes in the rates, terms and conditions of service will be made consistent with applicable law. The Transaction is not expected to result in any discontinuance of service for the Network Telephone customers. Furthermore, in addition to having access to Talk's experienced and high-quality

management team, the operations of Network Telephone in numerous instances will continue to be supervised by Network Telephone's management, technical and customer service personnel.

III. PUBLIC INTEREST STATEMENT

The Applicants respectfully submit that the Transaction serves the public interest. After consummation of the Transaction, Network Telephone will continue to operate under its same name and operating authorities as at present. The Transaction involves no change in the entity providing service to customers, the facilities used to provide such service or the rates, terms and conditions of such service. All existing tariffs will remain in place. The transfer of control will be generally transparent to customers and will not have any adverse impact on them; they will continue to use the same number to reach customer service. The only change will be in the ultimate ownership of Network Telephone.

The Applicants expect that the Transaction will increase competition in the telecommunications market by strengthening Talk's position as an effective and multifaceted telecommunications carrier. The Transaction will allow Talk to combine its financial, technical and market resources and expertise with that of Network Telephone, thereby enhancing its ability to provide reliable, competitively priced services to customers. Talk will be able to expand its product offerings by adding the offerings of Network Telephone to its current offerings.

Both Talk and Network Telephone have created strong customer service organizations that provide high levels of customer satisfaction as demonstrated by their low customer churn rates. Both organizations share similar technology platforms and

Network Telephone's focus on the small to medium sized business customers will complement Talk's focus on the consumer and small business markets. In an era of increasing telecommunications products and services, these customers require expert assistance to find the best solution for their telecommunications requirements. The similarity of business models between Talk and Network Telephone means that integrating their operations will not occasion significant changes in what either company does and thus the Transaction poses little risk to customers.

The transfer of control of Network Telephone to Talk does not result in any anticompetitive effects. Network Telephone and Talk together will achieve economies of scale and scope which will enhance the company's ability to roll out new products and services and expand into new markets. Although Network Telephone and Talk both provide service in the markets served by Network Telephone, neither has significant market share in any of these markets, and the combined market share post-closing will not exceed 10 percent in any market. In all instances, the incumbent local exchange carrier has a virtual monopoly and this Transaction will not diminish the ILEC's dominant market position. Furthermore, other carriers such as AT&T and MCI are active participants in many of these markets. Accordingly, the transfer of control of Network Telephone to Talk will increase, not degrade, the competitiveness of these markets.

IV. INFORMATION REQUIRED BY SECTION 63.24(e) OF THE COMMISSION'S RULES

In support of this Application, the Applicants submit the following information pursuant to Section 63.24(e) of the Commission's Rules, which require the Applicants to supply certain information requested by Section 63.18:

Responses to 47 CFR Section 63.18(a) – (d)

- (a) Name, address and telephone number of Applicants:

Talk America Inc. and Talk America Holdings, Inc.
6805 Route 202
New Hope, Pennsylvania 18938
Tel: (215) 862-1500
Fax: (215) 862-1960

Network Telephone Corporation
3300 North Pace Boulevard
Pensacola, Florida 32505
Tel. (850) 432-4855
Fax: (850) 432-0218

- (b) Talk America Inc. is a Pennsylvania corporation. Talk America Holdings, Inc. is a Delaware corporation. Network Telephone Corporation is a Florida corporation.
- (c) Correspondence concerning this Application should be sent to:

<p>Brad E. Mutschelknaus Melissa S. Conway Kelley Drye & Warren LLP 1200 19th Street, N.W., Suite 500 Washington, D.C. 20036 (202) 955-9667 (telephone) (202) 955-9792 (facsimile) mconway@kelleydrye.com</p> <p>with copies to:</p> <p>Aloysius T. Lawn IV EVP-General Counsel Talk America Holdings, Inc. 6805 Route 202 New Hope, Pennsylvania 18938 (215) 862-1092 (telephone) (215) 862-1960 (facsimile) ALawn@talk.com</p>	<p>Leon Nowalsky Nowalsky Bronston and Gothard 3500 N. Causeway Boulevard, Suite 1442 Metairie, LA 70002 504-832-1984 (telephone) 504-831-0892 (facsimile) lnowalsky@nbglaw.com</p> <p>with copies to:</p> <p>Margaret Ring Director of Regulatory 3300 North Pace Boulevard Pensacola, FL 32350 (850) 465-1748 (telephone) (850) 432-0218 (facsimile) margaret.ring@networktelephone.net</p>
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- (d) Talk America Inc. has authority to provide international services on a resold basis as granted in File No. ITC-214-19960119-00025. Network Telephone Corporation has authority to provide international services on a resold basis as granted in File No. ITC-214-19981228-00911.

Responses to 47 CFR 64.18(h) – (p)

- (h) Following consummation of the proposed Transaction, Network Telephone will continue to be a direct, wholly owned subsidiary of NT Corp., which will become a direct, wholly owned subsidiary of Talk America Inc., which will continue to be a direct, wholly owned subsidiary of Talk America Holdings, Inc., a publicly traded corporation. NT Corp. is a Delaware corporation located at 3300 North Pace Boulevard, Pensacola, FL 32350 that functions as a holding company. Talk America Inc. is a Pennsylvania corporation located at 6805 Route 202, New Hope, Pennsylvania 18938 that offers local and long distance telecommunications services virtually nationwide. Talk America Holdings, Inc. is a Delaware corporation located at the same address that functions as a holding company for Talk America and various other subsidiaries.

Following consummation of the proposed Transaction, no person or entity will directly or indirectly own 10% or more of the equity of Talk America Holdings, Inc.

Following consummation of the proposed Transaction, there will be no interlocking directorates with any foreign carrier.

- (i) As evidenced by the signatures to this Application, Talk certifies that Talk is not a foreign carrier, but currently, Talk is affiliated with three (3) nondominant foreign carriers that are its indirect subsidiaries: LDMI of Canada, Ltd., LDMI of Ireland, Ltd. and LDMI of the U.K., Ltd. These carriers do not have any customers and are considered nondominant under the Commission's Rules. After consummation of the proposed transaction, Talk will not be a foreign carrier or become affiliated with any other foreign carrier.
- (j) As evidenced by the signatures to this Application, Talk certifies that through its acquisition of control of Network Telephone it does not seek to provide international telecommunications services to any destination country where (a) Talk is a foreign carrier; (ii) Talk controls a foreign carrier; (iii) any entity that owns more than 25 percent of Talk, or that controls Talk, controls a foreign carrier in that country; or (iv) two or more foreign carriers (or parties that control foreign carriers) own, in the aggregate, more than 25 percent of Talk and are parties to, or the beneficiaries of, a contractual relation affecting the provision or marketing of international basic telecommunications services in the United States.
- (k) Not applicable.

- (l) Not applicable.
- (m) Talk qualifies for a presumption of non-dominance under Section 63.10(a)(3). Although Talk is affiliated with the three indirect subsidiaries listed in (i) above that are foreign carriers, these subsidiaries do not serve any customers, and thus, do not have market power. Therefore, they are non-dominant under Section 63.10(a)(3) of the Commission's Rules.
- (n) As evidenced by the signatures to this Application, Talk certifies that it has not agreed to accept special concessions directly or indirectly from any foreign carrier with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route, and that neither Talk nor Network Telephone will enter into such agreements in the future.
- (o) As evidenced by the signatures to this Application, Applicants certify, pursuant to Sections 1.2001 through 1.2003 of the Commission's Rules, that they are not subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988.
- (p) Applicants request streamlined processing of this Application pursuant to Section 63.12 of the Commission's Rules. This Application qualifies for streamlined treatment under Section 63.12 because, although Talk has three subsidiaries that are foreign carriers (in Canada, Ireland and the United Kingdom), these subsidiaries do not serve any customers, and thus, do not have market power. Therefore, they are non-dominant under Section 63.10(a)(3) of the Commission's Rules, and this Application is eligible for streamlined treatment under Section 63.12(c)(1)(ii). Further, neither Talk nor Network Telephone has any affiliation with any dominant U.S. carrier, and no authority is requested to provide switched basic services over private lines to a country for which the Commission has not previously authorized the provision of switched services over private lines.

V. INFORMATION REQUIRED BY SECTION 63.04(b) OF THE COMMISSION'S RULES

In accordance with the requirements of Section 63.04(b) of the Commission's Rules, the additional information required for the domestic Section 214 transfer of control application is provided in *Exhibit A*.

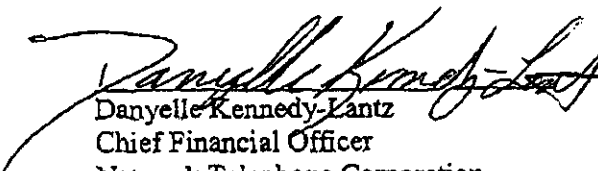
VI. CONCLUSION

Based on the foregoing, Applicants respectfully submit that the public interest, convenience, and necessity would be furthered by grant of this Application.

Respectfully submitted,

Network Telephone Corporation

Talk America Inc.
Talk America Holdings, Inc.



Danyelle Kennedy-Lantz
Chief Financial Officer
Network Telephone Corporation
3300 North Pace Boulevard
Pensacola, FL 32350
(850) 432-4855 (telephone)
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Its Attorneys

Their Attorneys

Date: October 19, 2005

VI. CONCLUSION

Based on the foregoing, Applicants respectfully submit that the public interest, convenience, and necessity would be furthered by grant of this Application.

Respectfully submitted,

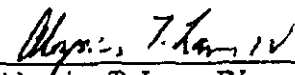
Network Telephone Corporation

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Its Attorneys

**Talk America Inc.
Talk America Holdings, Inc.**


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Fax: (202) 955-9792

Their Attorneys

Date: October 11, 2005

LIST OF EXHIBITS

EXHIBIT A	Domestic Section 214 Transfer of Control Information
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EXHIBIT A

DOMESTIC SECTION 214 TRANSFER OF CONTROL INFORMATION

In accordance with the requirements of Section 63.04(b) of the Commission's Rules, the Applicants provide the following information in support of their request.

63.04(a)(6): Description of the Transaction

The proposed transaction is described in Section II of the Application.

63.04(a)(7): Description of Geographic Service Area and Services in Each Area

A description of the geographic service areas and services provided in each area is described in Section I of the Application.

63.04(a)(8): Presumption of Non-Dominance and Qualification for Streamlining

This Application is eligible for streamlined processing pursuant to Section 63.03(b)(2)(i) of the Commission's Rules. Following the consummation of the proposed Transaction, Talk will have market share in the interstate, interexchange market of substantially less than 10 percent, and Talk will provide competitive telephone exchange services or exchange access services exclusively in geographic areas served by a dominant local exchange carrier that is not party to the Transaction. Finally, neither Talk nor Network Telephone nor any affiliate of either company is dominant with respect to any service it provides.

63.04(a)(9): Other Pending Commission Applications Concerning the Proposed Transaction

None.

63.04(a)(10): Special Considerations

None.

63.04(a)(11): Waiver Requests (If Any)

None.

63.04(a)(12): Public Interest Statement

The proposed transaction is in the public interest for the reasons detailed in Section III of the Application.